

## Message Text

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SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

### 1. CALLAGHAN IRKED BY SOVIET TRADE IMBALANCE

EMBASSY LONDON REPORTS THAT PRIME MINISTER CALLAGHAN  
CALLED IN SOVIET AMBASSADOR LUNKOV DECEMBER 22 TO EXPRESS  
HIS "EXTREME DISAPPOINTMENT" AT THE CURRENT LOW LEVEL OF  
SOVIET ORDERS FOR BRITISH GOODS. CALLAGHAN'S IRE STEMMED  
FROM THE FACT THAT DESPITE ASSURANCES GIVEN BY GROMYKO  
THAT SUBSTANTIAL SOVIET ORDERS WOULD BE FORTHCOMING  
PROMPTLY, THE SOVIET HAVE:

--USED LESS THAN 140 MILLION OF THE 950 MILLION  
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POUND CREDIT EXTENDED BY BRITAIN ALMOST TWO YEARS  
AGO;

--BLAMED THEIR SLOWNESS IN PLACING ORDERS ON ALLEGED  
BRITISH INADEQUACIES, SUCH AS POOR SALESMANSHIP AND  
DELIVERY DELAYS; AND

--PERMITTED THE BILATERAL TRADE BALANCE IN THEIR FAVOR TO GROW.

EMBASSY COMMENT: FROM THE BRITISH PERSPECTIVE THERE ARE NO KNOWN POLITICAL OBSTACLES TO RECEIVING SUBSTANTIAL ORDERS AND THUS REDRESSING THE TRADE IMBALANCE. THEIR ASSESSMENT APPEARS TO BE THAT THE SOVIET DELAYS ARE LARGELY CAUSED BY A BUREAUCRATIC LOG JAM THAT CAN BE BROKEN UP WITH A SMALL CHARGE OF POLITICAL DYNAMITE. (CONFIDENTIAL) LONDON 5888, 12/30.

## 2. ARCTIC IMPASSE CHILLS SOVIET-NORWEGIAN RELATIONS

FOREIGN MINISTER FRYDENLUND TOLD AMBASSADOR ANDERS DECEMBER 27 THAT HE WAS BAFFLED BY THE SOVIET INFLEXIBILITY WHICH LED TO THE BREAKDOWN OF TALKS ON THE TWO COUNTRIES' BARENTS SEA BOUNDARY. FRYDENLUND SAID NORWAY WOULD NOT FORMALLY PROTEST THE RESUMPTION OF SOVIET MISSILE FIRINGS INTO THE DISPUTED ARCTIC AREA, BUT HE INDICATED THAT HE NO LONGER EXPECTED SOVIET FOREIGN MINISTER GROMYKO TO VISIT NORWAY NEXT YEAR.

AMBASSADOR'S COMMENT: FRYDENLUND SEEMS TO HAVE THROWN UP HIS HANDS IN FRUSTRATION AT THE RUSSIANS' INTRANSIGENCE ON THIS ISSUE. HIS PARTY FACES ELECTIONS NEXT YEAR AND HAS LITTLE DESIRE TO BE ACCUSED OF EITHER SOFTNESS OR BELLIGERENCE TOWARD MOSCOW. IF THE SOVIETS CONTINUE TO FIRE MISSILES INTO THE BARENTS SEA, HOWEVER, THEY ARE CERTAIN TO SPLASH COLD WATER ON SOVIET-NORWEGIAN RE-  
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LATIONS. (CONFIDENTIAL) OSLO 6471, 12/28.

## 3. SPAIN AND MOROCCO REACH NEW AGREEMENTS

EMBASSY RABAT REPORTS THAT, ACCORDING TO THE SPANISH AMBASSADOR, SPAIN AND MOROCCO HAVE REACHED AGREEMENT ON A NUMBER OF ECONOMIC ISSUES. HIGH-LEVEL BILATERAL TALKS IN SPAIN WHICH ENDED ON DECEMBER 23 RESULTED IN:

--AN ACCORD WHICH ENTAILS THE GRADUAL ABSORPTION OF SPANISH VESSELS INTO THE MOROCCAN FISHING INDUSTRY;  
AND

--SPANISH AGREEMENT TO OPEN A LINE OF CREDIT TO ASSIST MOROCCO IN BUILDING A STEEL COMPLEX.

IN THE MEANTIME, IN RABAT A SPANISH DELEGATION REACHED AN AGREEMENT ON THE QUESTION OF SPANISH GOVERNMENT PRO-

PERTIES WHICH HAD BEEN TURNED OVER TO MOROCCO.

EMBASSY COMMENT: RELATIONS BETWEEN THE TWO COUNTRIES

SEEM TO HAVE IMPROVED MEASURABLY. THE GROUND NOW APPEARS PREPARED FOR KING HASSAN'S VISIT TO SPAIN, WHICH HE HAS PROJECTED PUBLICLY FOR EARLY SPRING. (CONFIDENTIAL)  
RABAT 6915, 12/29.

#### 4. SOARES SEEKS TO RENEW OLD TIES

EMBASSY BRASILIA REPORTS THAT PRIME MINISTER SOARES' SIX-DAY VISIT TO BRAZIL, WHICH ENDED ON DECEMBER 22, MAY HAVE HELPED TO SALVAGE THE OLD BRAZIL-PORTUGAL ALLIANCE. ACCORDING TO THE EMBASSY:

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--PRESIDENT GEISEL WAS IMPRESSED BY SOARES' ARGUMENT THAT HIS SOCIALIST GOVERNMENT WAS THE ONLY ALTERNATIVE TO COMMUNIST RULE IN PORTUGAL.

--BRAZIL OPENED A FIFTY-MILLION DOLLAR LINE OF CREDIT FOR PORTUGAL, WHICH PROMISED A SIMILAR ARRANGEMENT FOR BRAZIL.

--BOTH SIDES SAID THERE WERE POSSIBILITIES FOR PORTUGAL TO EXPORT URANIUM TO BRAZIL.

SOARES WAS UNSUCCESSFUL, HOWEVER, IN HIS ATTEMPT TO PERSUADE BRAZIL TO ACCEPT MORE PORTUGUESE REFUGEES FROM AFRICA.

EMBASSY COMMENT: FROM THE BRAZILIAN STANDPOINT, THE VISIT OF A PROMINENT EUROPEAN SOCIALIST LIKE SOARES MAY HELP TO SOFTEN THE GOB'S AUTHORITARIAN IMAGE. (LIMITED OFFICIAL USE) BRASILIA 10585, 12/29.

#### 5. ECUADOREAN GENERAL RAISES WAR SPECTRE FOR OWN ENDS

EMBASSY QUITO SHARES THE VIEW OF VENEZUELAN PRESIDENT PEREZ THAT ECUADOR BEARS A LARGE SHARE OF THE BLAME FOR THE WAR SCARE WITH PERU. ACCORDING TO THE EMBASSY, ECUADOREAN JUNTA MEMBER GENERAL LUIS DURAN EXPLOITED THE POSSIBILITY OF A PERUVIAN INVASION TO KEEP THE ARMY IN LINE WHILE HE DEALT WITH A MILITARY RIVAL, GENERAL SOLON ESPINOSA. AFTER DECEMBER 28, WHEN ESPINOSA WAS FORCED INTO RETIREMENT, ECUADOR'S PREOCCUPATION WITH PERU SUB-

SIDED CONSIDERABLY. AMBASSADOR BLOOMFIELD NOTES, HOWEVER, THAT MANY INFORMED ECUADOREANS ARE CONVINCED THAT PERU WILL ATTACK ECUADOR AND PROBABLY CHILE DURING THE NEXT TWO TO THREE YEARS. (SECRET) QUITO 9034, 12/30 (EXDIS).

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#### 6. IRAQ FRUSTRATED BY SYRIAN STALEMATE

USINT BAGHDAD SEES INCREASING FRUSTRATION AHEAD FOR THE IRAQI REGIME AS IT LOCKS ITSELF INTO A CONFRONTATION WITH SYRIA. THIS IS PRODUCING A STATEMATE IN FOREIGN POLICY, GROWING TENSION WITHIN THE RULING BAATH PARTY AND SYRIAN-INSPIRED TERRORISM IN IRAQ. AS THE GOI BRACES FOR FURTHER TERRORIST INCIDENTS FOLLOWING THE BOMBING OF BAGHDAD AIRPORT, IT MUST ALSO FACE:

--CONTINUING SMALL-SCALE KURDISH INSURGENCY, EGGED ON BY DAMASCUS;

--TENSION BETWEEN THE BAATHISTS AND THE IRAQI COMMUNIST PARTY, WHICH IS ACCUSED OF BEING SOFT ON SYRIA; AND

--THE STINGING REBUFF OF EGYPTIAN AND SYRIAN MOVES TO BRING THEIR COUNTRIES CLOSER TOGETHER AND TOWARD A SETTLEMENT WITH ISRAEL IN DEFIANCE OF IRAQ'S "REJECTIONIST" APPEALS.

USINT COMMENT: APPARENTLY, HIS FRUSTRATION OVER THE FAILURE TO ACHIEVE HIS CHERISHED GOAL OF ARAB UNITY IS MAKING BAATHIST STRONGMAN SADDAM HUSSEIN INCREASINGLY RESENTFUL OF THE HARD-LINE SYRIAN EXILES WHO DOMINATE HIS PARTY'S NATIONAL COMMAND AND LIMIT HIS FLEXIBILITY IN MANAGING THE BITTER CONFLICT WITH DAMASCUS. WE NONETHELESS SEE NO SERIOUS THREAT TO THE REGIME, BARRING A SUCCESSFUL ASSASSINATION ATTEMPT ON SADDAM HUSSEIN HIMSELF. (SECRET) BAGHDAD 1919, 12/28.

THE NIGHTOWLS OF THE STATE DEPARTMENT WISH FOR EACH AND EVERY ONE OF YOU A HAPPY, PROSPEROUS, AND PEACEFUL NEW YEAR.

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